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June 30, 2006

Via Electronic Submission

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Room TWA-325
Washington, DC 20554

**Re: CC Docket 96-128
Pay Telephone Reclassification and Compensation Provisions
of the Telecommunications Act of 1996**

Dear Ms. Dortch:

Pursuant to the Commission Report and Order, CC Docket 96-128 released October 3, 2003, AT&T Inc. ("AT&T"), on behalf of AT&T Corp, submits the attached AT&T Long Distance Payphone Per Call Compensation Audit Report which was completed by the Engel Consulting Group.

As required in Section 64.1320(e) of the Order, AT&T provides the name, address and phone number for the person(s) responsible for handling the Completing Carrier's payphone compensation and for resolving disputes with payphone service providers over compensation.

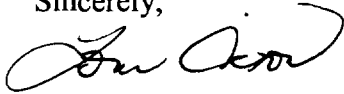
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A copy of AT&T's 2006 System Audit Report and Section 64.1320(e) Statement has been provided to the National Payphone Clearinghouse ("NPC") to be posted on their secure website in order to comply with the Commission's requirement to provide a copy to each payphone service provider for which AT&T completes calls.

Ms. Marlene Dortch
June 30, 2006
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If you have any questions, please contact Toni Acton at 202-326-8843.

Sincerely,

A handwritten signature in black ink, appearing to read "Toni Acton", with a large, sweeping flourish at the end.

Toni Acton
Associate Director

Attachment

Engel

Independent Accountant's Report

We have examined management's assertions, included in the accompanying "*Management's Assertions on AT&T's Payphone Compensation Processes*," that AT&T, as represented by AT&T Corp. (the "Company" or "AT&T"), remains in compliance with the call tracking system audit criteria pursuant to section 64.1310(a)(1) of the Final Rules of the FCC's Report and Order of October 3, 2003 (CC Docket No. 96-128) in the Matter of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996 which provides that Completing Carriers perform an independent third-party audit of the AT&T call tracking system that supports the payphone compensation payments. The order requires each switch-based reseller ("SBR") to establish its own call tracking system and to have a third party attest that the system accurately tracks calls to completion. Further, we have examined management's assertions that AT&T remains in compliance with the following requirements in accordance with FCC 03-235/CC Docket No. 96-128, and FCC 04-251/CC Docket No. 96-128:

- FCC 03-235/CC Docket No. 96-128 provides that Completing Carriers are responsible for payment of PCC, must provide the PSPs with a quarterly sworn statement by the CFO of PCC accuracy, and must provide to PSPs quarterly reports of 8YY and Access Code calls completed by the Carrier.
- FCC 04-251/CC Docket No. 96-128 clarifies that Completing Carriers are responsible for retaining records for payment of PCC for 27 months and are only responsible for providing to PSPs on quarterly reports those 8YY numbers and Access Codes for calls completed by the Carrier

AT&T Management is responsible for compliance with those requirements. Our responsibility is to express an opinion on management's assertions about AT&T's compliance based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and accordingly, included examining, on a test basis, evidence about AT&T's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on AT&T's compliance with specified requirements.

In our opinion, management's assertions that AT&T complied with the aforementioned requirements are fairly stated in all material respects.



Engel Consulting Group
June 30, 2006

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**AT&T Long Distance Payphone
Per Call Compensation
2006 FCC Audit Report**

June 30, 2006



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1.0 Introduction

AT&T Corp. (the "Company" or "AT&T"), engaged the services of the Engel Consulting Group to perform an audit of changes made to their Payphone Per Call Compensation (PCC) processes and procedures since the October 21, 2005 completion and subsequent November 1, 2005 filing of their FCC 2005 PCC System Audit Report. The audit included an attestation of AT&T's continued compliance with the FCC criteria to establish a call tracking system to compensate Payphone Service Providers (PSPs) for originating toll free and access code calls completed by AT&T. This examination is in accordance with the provisions set forth in Appendix C – Final Rules of FCC 03-235/CC Docket No. 96-128 dated October 3, 2003, which obligates Completing Carriers to engage an independent third-party auditor to verify on an annual basis that no material changes have occurred concerning the Completing Carrier's compliance with the prior year's System Audit Report and the FCC audit criteria.

AT&T has asserted that no changes have been made to the Payphone Per Call Compensation process since the prior audit; therefore, the primary goal of this review was to ensure that the PCC process continues to operate as designed and that AT&T remains in compliance with the criteria specified in §64.1310 and §64.1320 of FCC 03-235/CC Docket No. 96-128. In addition, because this is the first time that the Engel Consulting Group has had the opportunity to audit the AT&T Per Call Compensation system, a high level process and procedures review was also conducted to establish a knowledge baseline.

2.0 Executive Summary

To fulfill the requirements specified in §64.1310 and §64.1320 of FCC 03-235/CC Docket No. 96-128, the Engel Consulting Group was engaged by AT&T to audit changes to their processes and procedures for payment of Per Call Compensation to PSPs for toll free and access code calls where AT&T is the Completing Carrier. The objective of this audit is to ensure that AT&T remains in compliance with the aforementioned criteria and that any material changes occurring after October 21, 2005 do not affect compliance.

The 2006 PCC audit plan was designed by mapping a specific validation test with each of the AT&T assertions of compliance. A data request was created and fulfilled. This enabled the Audit Team to review process documentation; examine examples of control reports, correspondence, and files; and interview subject matter experts.

Using the business rules outlined in the assertions, the Audit Team traced payphone calls through the system by independently processing call detail records, creating a compensable file, and comparing the results with the compensable file created by AT&T to validate that the compensation process continued to operate properly. The Audit team conducted a high level process and procedures review as well as interviewed area managers to determine if there had been any material changes since the prior 2005 system audit report.

Based upon the data and procedures examined and tested during the audit process, the audit team concludes that AT&T has satisfied the requirements specified in the aforementioned FCC Orders. AT&T's assertions of compliance with the FCC criteria specified in §64.1320 of the Final Rules are fairly stated and the audit



team attests that the AT&T call tracking system remains in compliance with the stated criteria as of 6/30/2006.

3.0 Background

The FCC in its Order in Docket No. 96-128 dated October 3, 2003, In the Matter of *The Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*, adopted new rules placing liability for compensating PSPs on the Completing Carriers for calls originating from payphones and completing on their networks. To ensure that the PSPs are fairly compensated, the Order also imposed new audit, certification, and reporting requirements requiring each Completing Carrier to establish its own call tracking system and engaging a third party to attest that the system accurately tracks calls to completion.

On June 24, 2004 PricewaterhouseCoopers issued an attestation examination report that provided an opinion regarding AT&T's compliance with the FCC criteria. This report served as the baseline for the annual audits required by the FCC per Appendix C – Final Rules FCC 03-235/CC Docket No. 96-128, where the Completing Carrier is obligated to engage an independent third-party auditor to:

- 1) *Verify that no material changes have occurred concerning the Completing Carrier's compliance with the criteria of the prior year's System Audit Report; or*
- 2) *If a material change has occurred concerning the Completing Carrier's compliance with the prior year's System Audit Report, verify that the material changes do not affect compliance with the audit criteria*

The Audit as of 6/30/2005 was completed on October 21, 2005 and filed on November 1, 2005 after AT&T had petitioned for an extension to implement the modifications to its reporting systems to include dialed numbers and/or access codes for certain classes of coinless calls. To meet the FCC requirements, AT&T will need to file the 2006 System Audit Report and letter of attestation by June 30, 2006.

4.0 Audit Approach

AT&T Management provided the assertions of compliance with the FCC call tracking system criteria outlined in the Final Rules of FCC 03-245/CC 96-128 which had previously been documented with System Audit Reports for each of the two years ended 6/30/2006. In addition, AT&T Management disclosed that no material changes have been made to the PCC processes and procedures since the last audit which concluded on October 21, 2005.

Based upon the prior AT&T assertions and the 2006 assertion that no material changes have been implemented, an audit plan was designed to ensure AT&T's continued compliance with the FCC requirements by:

1. Conducting a high level PCC process and procedures review
2. Performing an End-to-End test which would indicate that the PCC system continues to function properly.
3. Affirming, to the best of the Audit Team's ability, that no material changes have been implemented since the prior audit.



The intent of the high level PCC process and procedures review was to confirm the overall reasonableness of the processes, procedures and controls which had been examined in prior audits and, if necessary, direct the Audit Team to probe into more detail in selected areas in order to render an informed opinion. The approach was to build upon the results from the prior audits and not to conduct a detailed re-examination. A much greater emphasis was placed on assessing whether the PCC processes and procedures continued to function properly.

5.0 Audit Test Plan

The test plan was divided into three areas and mapped against the AT&T assertions. The distinct test plan areas were: 1) Process and procedures review, 2) End-to-End testing, and 3) Process and procedures change assessment

5.1 Process and Procedures Review

Each of the AT&T Assertions of Compliance was examined to determine the appropriate means to assess its validity. A detailed audit plan was generated to itemize the data needed for the examination and to list the techniques that would be applied which included: a review of the process/procedure documentation; a subject matter expert interview; a review of sample logs, control reports and sample events or transactions; and, in some cases, a detailed inspection of Call Detail Records (CDRs) and the application of AT&T business rules.

5.2 End-to-End Test

An End-to-End test was conducted in order to validate a number of AT&T's assertions and to ensure that the AT&T per call compensation processes and procedures continued to provide correct compensation to the PSPs. The Audit Team took into consideration that the AT&T PCC processes had been audited for two prior years without any deficiencies and that AT&T had disclosed no changes to its processes, and therefore selected a small sample of PSPs for verification.

Compensation data was extracted from the NPC files for three PSPs and a total of thirty unique ANIs from the 4Q2005 processing period. All corresponding CDRs, both compensable and non-compensable, were then extracted from the front end of the AT&T PCC systems. The Audit Team then independently processed the CDRs, using the AT&T business rules, to create a compensable call file. The last step in the test was to compare the Engel PCC file to the corresponding AT&T file in order to determine if the compensation matched. Differences, if any, would then be investigated and analyzed.

5.3 Assessment of Process and System Changes

The Audit Team gathered information in this area via subject matter expert interviews and work group manager email statements that attested that no material changes had been made to the systems and procedures used to support PCC processing.



6.0 Validation Test Results

6.1 Assertion 1 – Payphone Call Tracking

-
1. AT&T has procedures in place to accurately track payphone calls to completion;
 - a) AT&T has controls in place to ensure that Call Detail Records (CDRs) generated by switches owned or leased by AT&T are interfaced completely to the downstream payphone call tracking systems.
 - b) AT&T has controls in place to identify and eliminate duplicate CDRs from payphone call tracking systems.
 - c) Payphone calls are identified based on the Originating Line Indicator (OLI)/Information Digits values in the CDRs generated by switches owned or leased by AT&T. Current applicable OLIs are '27', '29', and '70'.
 - d) AT&T accurately assigns call completion indicators for payphone CDRs based on hardware or software answer types.

Process and Procedures Examination

Via documentation reviews, subject matter expert (SME) interviews, and reports sampling, the Audit Team traced the flow of payphone call detail records from origination on the AT&T switches to appearance on the National Payphone Clearinghouse (NPC) compensation files. The Audit team learned that process controls include: real-time monitoring of the transmission and sequencing of switch data blocks, automatic generation of operational alarms, automatic re-polling of suspected missed data and inter-application program record counts. The Network Recording Management organization is responsible for ensuring that call detail records are accurately collected, corrected and reentered into processing (if necessary) and distributed to the downstream applications, including Per Call Compensation processing. These responsibilities are managed through the successful execution of thirteen key control activities. All key controls are tested and evaluated on a semi-annual or annual basis.

The Audit Team examined the rules used to identify duplicate call data records. Significant data fields such as From Number, To Number, Connect Date and Connect Time are compared to identify and remove any duplicate records.

The Audit Team reviewed the business rules which are used to determine answered or completed calls. The switch will generate an Answer Supervision Indicator to show that the call has been answered; if the call is not answered, it is not considered completed for the purposes of per call compensation. The independent Audit Team analysis results for determining completed calls in the End-to-End portion of this examination identically matched the AT&T PCC system results.

Applicable End-to-End Testing Results

All compensable CDRs contained an Originating Line Information (OLI) value of 27, 29 or 70 as stated in the assertion. OLI values of 07 and 62 were observed in the sampled data but none of these CDRs was compensable and rightly so.

Assertion Examination Conclusion

The inspected information supports the assertion. No deficiencies were noted.



6.2 Assertion 2 – Dispute Resolution Contact

2. AT&T has assigned a specific person or persons responsibility for tracking, compensating, and resolving disputes concerning payphone completed calls;
- a) The responsibility for tracking, compensating, and resolving disputes concerning payphone calls has been granted and included in the job description for specific employees.

Process and Procedures Examination

The Audit Team reviewed the Global Access Management organization chart, interviewed Dan Le who is the person responsible for payphone compensation and dispute management, and reviewed Dan's job description. The Global Access Management Organization Chart shows Dan as part of the Regulatory Management organization. His title is Senior Specialist and one of his responsibilities outlined on the organization chart is Payphone Compensation. Dan's job description states his responsibility is to manage the payphone compensation program to ensure that PSPs are compensated upon validated ANIs as well as to manage the dispute resolution process. The Audit Team also examined the AT&T 2005 filing with the FCC posted on both the FCC website and the NPC website as specified in §64.1320 (e) identifying Dan Q. Le as the person responsible for PSP compensation and disputes.

Applicable End-to-End Testing Results

Not applicable

Assertion Examination Conclusion

The inspected information supports the assertion. No deficiencies were noted.

6.3 Assertion 3 – Data Monitoring Procedures

3. AT&T has effective data monitoring procedures in place
- a) AT&T has documented procedures for monitoring data interfaced from switches owned or leased by AT&T to its call collection system, its usage processing system, and its payphone call tracking system.
- b) AT&T identifies and takes corrective actions for data irregularities and errors in the payphone process.

Process and Procedures Examination

The Audit Team reviewed the high level systems architecture and flow of the call detail records from the switching systems/network elements to the per call compensation system. The points in the flow where CDRs could error or reject and not continue to flow to the compensation system were determined and examined. The AT&T Network Recording Management organization has established key controls which deal with rejected files, sensor volume fluctuations and gaps, error volumes, error handling and NPA/NXX table accuracy. These controls are validated on an annual or semi-annual basis. In addition to internal record counts, one of the CDR processing subsystems, MPS – Message Processing System, contains an automated system control process which monitors usage flow across a number of different application programs to ensure that all the usage is accounted for.



Control reports are utilized on a monthly and quarterly basis to validate the reasonableness of the data volumes. All compensation volumes are reviewed monthly by the management team monitoring the per call compensation process. Deviations from the expected outlook are investigated and justified.

Applicable End-to-End Testing Results

Not applicable

Assertion Examination Conclusion

The inspected information supports the assertion. No deficiencies were noted.

6.4 Assertion 4 – SDLC & Change Control Procedures

4. AT&T adheres to established protocols to ensure that any software, personnel, or network changes do not adversely affect its payphone call tracking ability;
- a) AT&T has established a documented system development lifecycle (SDLC) to manage software and network changes.
 - b) AT&T's SDLC includes testing of software and network changes to determine if they adversely affect its payphone call tracking ability.
 - c) AT&T monitors adherence to the SDLC.
 - d) AT&T restricts access to payphone call tracking systems to authorized personnel.

Process and Procedures Examination

The Audit Team reviewed the AT&T System Development Life Cycle (SDLC) and the proprietary SDLC used by one of AT&T's application software development partners. Application teams and process SMEs were interviewed and/or provided process documentation. One of the two SDLCs, OneProcess or Catalyst, is used by all the application systems involved in per call compensation processing. Both SDLCs are rigorous processes which mandate the completion of specific activities and deliverables. Included among the mandated activities are: testing, quality gate completion and user approvals/signoffs. Although no changes have been made to the per call compensation process since the prior audit, a sample test plan from a change in a prior year was reviewed to determine its scope and contents.

Interviews with application development SMEs revealed that all were familiar with the testing, quality gating and change approval processes. OneProcess project deliverable documentation is stored in a common repository. Project funding processes are closely tied to OneProcess deliverables thus making it difficult to avoid following the SDLC. The OneProcess support group conducts internal reviews to monitor process compliance and usage. Results are distributed to AT&T information technology management for corrective action, if needed. In addition, AT&T's external auditors test the SDLC key controls annually to ascertain compliance with financial reporting requirements.

The Audit Team reviewed the procedures used to grant system IDs and review access to the applications involved in per call compensation. One application group submitted documentation on the controls they use to ensure appropriate access. These controls are tested at least annually.



Applicable End-to-End Testing Results

Not applicable

Assertion Examination Conclusion

The inspected information supports the assertion. No deficiencies were noted.

6.5 Assertion 5 – Compensable File Creation

5. AT&T creates a compensable payphone call file by matching call detail records against payphone identifiers;

- a) Payphone calls are identified based on the Originating Line Indicator/Information Digits values in the CDRs generated by switches owned or leased by AT&T. Current applicable OLIs are '27', '29', and '70'.
- b) Payphone calls are considered compensable based on the business rules criteria defined in Assertion #9.

Process and Procedures Examination

The examination of the Originating Line Information values was completed during the End-to-End testing phase. Results are summarized in the section that follows. The business rules which determine compensable payphone calls were reviewed under Assertion 9 – Compensable Call Business Rules. Please see section 6.9 below.

Applicable End-to-End Testing Results

As stated under Assertion 1 in section 6.1, all compensable CDRs contained an Originating Line Information (OLI) value of 27, 29 or 70. Other OLI values were observed but they did not appear on any compensable CDRs which was the expected outcome.

Assertion Examination Conclusion

The inspected information supports the assertion. No deficiencies were noted.



6.6 Assertion 6 – Reporting Procedures

6. AT&T has procedures in place that incorporate payphone call data into required reports
- a) AT&T has procedures to create the following reports accurately and completely from the compensable payphone call file referenced in Assertion #5:
- 1) National Payphone Clearing House SuperFile - The SuperFile submission has replaced three of the four client data files submitted prior to 07/01/2004 to the NPC by AT&T. This file includes the payphone information needed to comply with the FCC's Payphone Orders as a Completing Carrier and an Intermediate Carrier. The information in this file includes:
 1. Completing Carrier Traffic Compensation
 2. Completing Carrier Toll-Free/Access-Code Reporting
 3. Intermediate Carrier Toll-Free/Access-Code Reporting (IC-TFAC) files.
 - 2) Paycomp True Zero Accum File – This file follows formatting standards set by the NPC, and includes the following information:
 - I. The toll-free/access-code numbers dialed from each payphone that has collect and calling card call types.
 - II. The volume of calls for each toll-free/access-code number completed by the Completing Carrier for each of the PSP's payphones by call type.
 - 3) Switched Based Reseller Report – As an Intermediate Carrier, AT&T provides the NPC with the names, addresses and telephone numbers of the Switch Based Reseller Customers which belong to the Wholesale AT&T Network Connection Toll Free Platform.
- b) AT&T has established procedures to submit the above reports to the NPC on a timely basis.

Process and Procedures Examination

The Audit Team reviewed the documentation from PIPS which is the system that collects, edits, stores and sends usage information about calls made from payphones to the NPC for both PCC and the compilation of the requisite quarterly reports. Data is received from MPS, XRICS, and ABS for Toll Free, 0+, Calling Card, and Prepaid Card. Both daily and monthly files are created which are then compiled into the quarterly Superfile, True Zero Accum file, and Control Report sent to the NPC. Interviews with the Subject Matter Experts confirmed that controls are in place to ensure that the counts from the daily and monthly reports match the quarterly Superfile and True Zero Accum file. Samples of all files were reviewed and validated.

The file format specifications from the NPC on the data submission were reviewed and several samples of call detail sent to the NPC for compensation and reporting were examined. All records were in the agreed-upon NPC format and were complete. The business rules for the reports were validated against the FCC criteria for toll free and access code reporting requirements. In reviewing the NPC output for several ANIs selected for the end-to-end test, it was determined that the required information was included in the quarterly reports.

Applicable End-to-End Testing Results

Not applicable

Assertion Examination Conclusion

The inspected information supports the assertion. No deficiencies were noted.



6.7 Assertion 7 – Dispute Procedures & Controls

7. AT&T has implemented procedures and controls needed to resolve disputes;
- a) AT&T has documented its process to investigate and resolve disputes with Payphone Service Providers and has posted the process on the NPC's website.
 - b) AT&T logs disputes and follows the published process.
 - c) AT&T maintains payphone CDRs for 27 months that can be utilized for dispute investigations.
 - d) Archived payphone CDRs can be readily accessed by AT&T payphone dispute personnel to perform dispute analysis

Process and Procedures Examination

The process documentation on the NPC website is consistent with the internal process document provided by Dan Le. PSPs can initiate a dispute via mail or email. All disputes are recorded and logs are maintained electronically. Call detail information from SCAMP is typically requested to support or refute a claim by the PSP. There are four types of disputes:

1. Those related to bankruptcy proceedings
2. Resolved true-up disputes
3. Pending true-up disputes
4. Miscellaneous including:
 - Identification of HIVAD (high volume) ANIs
 - Flex ANI issues
 - Compensation reporting issues.

Two sample disputes were reviewed and all correspondence was logged appropriately.

To validate AT&T compliance with the 27-month retention criteria, a sample of call detail was requested for a period prior to 2Q2004. The NPC provided call records from March 2004 which were supplied by AT&T in support of payphone ANI claims.

Applicable End-to-End Testing Results

Not applicable

Assertion Examination Conclusion

The inspected information supports the assertion. No deficiencies were noted.



6.8 Assertion 8 – Compensation Critical Controls & Procedures

8. AT&T has implemented critical controls and procedures to identify payphone compensation errors;
- a) AT&T develops an annual payphone compensation budget by month based on key company and industry trends (e.g., payphone call counts, number of payphones in the industry).
 - b) AT&T analyzes the quarterly payphone compensation invoice at a 'compensation type' level (e.g., per-call, surrogate) to identify any deviations from historical trends and current budget.
 - c) AT&T documents and retains trending data related to payphone compensation to use in the budgeting and outlook process.
 - d) AT&T reviews and analyzes the information contained in the Traffic Analysis Report received from the NPC to validate the complete receipt of call records sent to the NPC

Process and Procedures Examination

The Audit Team reviewed the 2006 AT&T Payphone compensation budget, sample budget assumptions, trend data and graphs, and traced an NPC obligation invoice from receipt through approval and subsequent payment. The AT&T Payphone Product Manager was interviewed to gain an understanding of the per call compensation budgeting, monitoring and review processes. Compensable call volumes are tracked and reviewed on a monthly basis to assess reasonableness, accuracy and deviations from the current plan outlook. Call volumes and the corresponding compensation obligation are viewed and tracked on a sub-category level, e.g., toll free, wholesale, and surrogate. An inter-departmental team reviews the quarterly NPC invoices and compares the contents to per call compensation system control reports.

The Traffic Analysis Report (NPC SuperFile Analysis) is used verify that the current budget plan outlook is on track and/or highlight areas for additional investigation, analysis and plan adjustment, if necessary.

Applicable End-to-End Testing Results

Not applicable

Assertion Examination Conclusion

The inspected information supports the assertion. No deficiencies were noted.



6.9 Assertion 9 – Compensable Call Business Rules

9. AT&T has implemented business rules to identify compensable payphone calls.
- a) Payphone calls are identified based on the Originating Line Indicator/Information Digits values in the CDRs generated by switches owned or leased by AT&T. Current applicable OLIs are '27', '29', and '70'.
 - b) AT&T has controls in place to identify and eliminate duplicate CDRs from payphone call tracking systems.
 - c) Potential compensable payphone calls are identified based on applying the following business rules to the payphone call file:
 - CDRs must be toll-free or access code dialed calls.
 - CDRs must be completed calls based on answer indicator generated by the switch.
 - d) The originating ANI for each call is included in the compensation to the NPC.
 - e) AT&T has engaged the NPC to determine the identities of the PSPs to which AT&T owes compensation. In addition, the NPC performs the following actions:
 - o The NPC matches the PSP claims to the LEC reports to validate ownership of the ANI.
 - o In the event that ownership cannot be validated from the information provided, the NPC notifies the PSP of the dispute and work with the PSP to resolve the ownership disputes.
 - o The NPC calculates compensation for non-flex ANI payphones based on regulated surrogate rates.

Process and Procedures Examination

The procedures that the AT&T per call compensation system uses to ensure that duplicate CDRs are identified and eliminated from processing were examined in section 6.1 above. The process examination results from section 6.1 are applicable to this assertion as well.

The Audit Team reviewed the National Payphone Clearinghouse (NPC) Independent Service Auditor's Report for the period April 1, 2005 through March 31, 2006, interviewed an NPC subject matter expert and examined the AT&T Business Rules for Compensation of Payphone ANIs which were supplied to the NPC. The NPC matches PSP claims to LEC reports for AT&T as well as all NPC clients. If a PSP claim cannot be validated, the claim is assigned a specific error code and resolved in an automated fashion, if possible. Incorrect claims that cannot be resolved automatically are handled in a manual mode by the NPC clerical staff according to dispute resolution guidelines. If a dispute cannot be resolved based upon additional documentation submitted by the PSP, the claim is rejected and the PSP is sent a letter with the reasons for rejection. The compensation business rules AT&T supplied to the NPC include rules to cover those payphones without flexible ANI capabilities. Furthermore, the document states, "The contents of this document may not conflict with the laws of the United States or regulatory agencies empowered to enforce those laws" implying that FCC mandates, such as surrogate rates, will always be followed and take precedence.

Applicable End-to-End Testing Results

The end-to-end test sample consisted of 30 ANIs spread evenly across three PSPs. All compensable records were marked as answered with a terminating number of 8YY or were access code dialed. In all cases the originating ANI was correctly populated in the CDR forwarded to the NPC for compensation purposes.

As stated in the end-to-end testing results in section 6.1 above, all compensable CDRs contained an appropriate Originating Line Information value of 27, 29 or 70.



Assertion Examination Conclusion

The inspected information supports the assertion. No deficiencies were noted.

6.10 Assertion 10 – Dialed Number Reporting Correction

10. AT&T identified 3 types of calls for which they were reporting to the NPC the incorrect toll-free or access code number. Following is a description of the 3 scenarios and the solution that AT&T implemented for each:

1. Network Remote Access (NRA) – For NRA calls, the customer dials an 8YY number to get to a calling card platform and make subsequent outbound calls. AT&T implemented a solution that will report the NRA calling card 8YY number for these calls.
2. Operator Services – For Operator Services calls, the customer dials an 8YY number (e.g., 1-800-CALL-ATT) and goes to the Operator Services platform. AT&T implemented a solution that will report the Operator Services 8YY number for these calls.
3. Access Code – For Access Code calls, the customer dials a “10-10” number (e.g., 10-10-288) to bypass the primary interexchange carrier. AT&T implemented a solution that will report the 10-10-288 number for these calls.

Process and Procedures Examination

Validation of the correct dialed number reporting for the three call scenarios listed above was performed in the end-to-end testing.

Applicable End-to-End Testing Results

The Audit Team analyzed the end-to-end test data and found that it contained examples of network remote access calls, operator services calls, and access code calls. All calls were compensable and contained the correct dialed number. Based upon this sampling of 4Q2005 calls, the Audit Team concluded that the corrections for the invalid reporting of the dialed number for the three scenarios listed above have been successfully implemented.

Assertion Examination Conclusion

The inspected information supports the assertion. No deficiencies were noted.



6.11 Assertion 11 – Compensation on Behalf of SBRs

11. AT&T Management asserts that the Company has “agreed to compensate” Payphone Service Providers on behalf of a small number of completing carriers for which AT&T delivers payphone calls. AT&T has notified PSPs of each completing carrier for which it makes payment via a posting on the National Payphone Clearinghouse (NPC) website.
- a) AT&T delivers calls to many completing carriers (i.e., AT&T is the Intermediary Carrier). AT&T, on behalf of a small number of completing carriers, makes payment to PSPs for the payphone calls that are delivered to the completing carriers.
 - b) AT&T pays for 100% of the payphone call volume that is delivered to the small number of completing carriers based on the following business rules:
 - o CDRs must be toll-free or access code dialed calls.

Process and Procedures Examination

The Audit Team examined: a hardcopy version of the completing carrier payment notice authored by AT&T (Switched Based Reseller notice) and posted on the NPC website; a list of carriers utilizing this option as of 1st Quarter 2006; two quarterly update letters to the Switched Based Reseller (SBR) list; the NPC compensation file traffic analysis report; and internal AT&T payphone compensation system control reports.

The Switched Based Reseller notice informs the Payphone Service Providers of the two options which SBRs can utilize to pay per call compensation to the PSPs (option 1 – SBR pays PSP; option 2 – AT&T pays on behalf of SBR on 100% of completed as well as not completed calls) and describes the process AT&T will use to inform the PSPs of those SBRs who have selected option 2. The Audit Team observed the list of option 2 SBRs and noted the volume of CDRs which were processed through the AT&T payphone compensation system and transmitted to the NPC for per call compensation for 4Q2005.

Applicable End-to-End Testing Results

CDRs for option 2 SBRs were all marked as answered calls, if received by the SBR's switch. Originally the Audit Team expected to see both unanswered and answered calls. Upon further investigation the Audit Team learned that when the AT&T network delivers the call to the SBR and the SBR switch receives it, the call is marked as answered regardless of the answer status to the ultimate called party. Therefore, the CDRs are marked appropriately.

Assertion Examination Conclusion

The inspected information supports the assertion. No deficiencies were noted.



6.12 Assertion 12 – CFO Accuracy Statement

12. AT&T asserts that at the conclusion of each quarter, the chief financial officer of the Completing Carrier shall submit to each payphone service provider to which compensation is tendered a sworn statement for that quarter is accurate and is based on 100% of all completed calls that originated from that payphone service provider's payphones (FCC 03-235 64.1310.3).

Process and Procedures Examination

The Audit Team reviewed the CFO certification letter on the NPC website for 4Q2005.

Applicable End-to-End Testing Results

Not applicable

Assertion Examination Conclusion

The inspected information supports the assertion. No deficiencies were noted.

6.13 End-to-End Testing Results

A sample of 30 ANIs from three randomly-selected PSPs from the 4Q2005 processing cycle was selected for the end-to end test. The audit team independently processed call detail records for all 30 ANIs, and created a compensable call file which was then compared with the file from the NPC and the quarterly reports. In all cases the Engel compensation file matched the AT&T/NPC files which indicated that the AT&T business rules were applied correctly as stated in the assertions. Detailed examination of the individual CDRs revealed:

1. All compensable CDRs contained an Originating Line Information value of 27, 29 or 70 as stated in the assertions. OLI values of 7 and 62 were also observed in the corresponding AMA data and these values did not appear on any compensable records.
2. All call completion indicators per AT&T/NPC files matched those determined by Engel.
3. All compensable records were marked as answered with a terminating number of 8YY or were access code dialed.
4. The dialed number for network remote access, operator services and access code calls was correctly reported on the quarterly reports.
5. In all cases the originating ANI was correctly populated in the CDR forwarded to the NPC for compensation purposes.
6. CDRs for option 2 Switch Based Resellers (AT&T pays the PSP) were matched against the original input file and against the compensation detail extracted from the NPC database.
7. CDRs for option 2 Switch Based Resellers (SBRs) were accurately marked as answered.



6.14 Assessment of Process & System Changes

Process and Procedures Examination

The individual subject matter experts (SMEs) were questioned regarding any material changes that may have been applied to the processes and systems under their control since the last PCC audit in late 2005. All responded that there have been no material changes to the per call compensation process during that time interval. These statements were then supported via follow up email correspondence.

Applicable End-to-End Testing Results

Not applicable

Assertion Examination Conclusion

The inspected information supports the assertion. No deficiencies were noted.

7.0 Audit Conclusions and Findings

Based on the results of the examination of the AT&T PCC processes and procedures, the end-to-end validation of the overall call tracking system, and the AT&T assertion that no material changes have been made to the PCC processes and procedures since the 2005 audit, the audit team concludes that AT&T and the call tracking system for PCC remains in compliance with the FCC criteria specified in §64.1320 of the Final Rules of FCC 03-235/CC Docket No. 96-128. The audit team further attests that AT&T's assertions of compliance with the aforementioned requirements and criteria are fairly stated in all material respects.

7.1 Contact Information

Please direct any questions regarding this audit to AT&T Payphone Product Management:

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8.0 Appendices

<u>Appendix</u>	<u>Document</u>
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A	Management's Assertions on AT&T Payphone Compensation Processes
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**Management's Assertions on Modifications to AT&T's
Payphone Compensation Processes
June 21, 2006**

Management of AT&T Corp. (the "Company" or "AT&T") asserts the following :

On June 25, 2004 and October 31, 2005 PricewaterhouseCoopers issued an attestation examination report that provided an opinion regarding Management's Assertions on AT&T's Payphone Compensation Processes. AT&T provided a description of key payphone compensation process and system controls in Management's Assertions on AT&T's Payphone Compensation Processes.

In accordance with the disclosure requirement in the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996 dated September, 30, 2003, Paragraph 42, AT&T has not modified, as of July 1st, 2006 its payphone compensation processes and systems as previously described in Management's Assertions on AT&T's Payphone Compensation Processes.

Below are AT&T Management Assertions covering the subjects documented by AT&T on, June 25th, 2004 as required as part of initial Payphone Telephone Reclassification Provisions of the Telecommunication Act of 1999, FCC Order 03-235 (Docket No. 96-128), which AT&T continues to support as of July 1, 2006:

1. AT&T has procedures in place to accurately track payphone calls to Completion. As it relates to this assertion, "procedures" will be defined according to the following:

- AT&T has controls in place to ensure that Call Detail Records (CDRs) generated by switches owned or leased by AT&T are interfaced completely to the downstream payphone call tracking systems.
- AT&T has controls in place to identify and eliminate duplicate CDRs from payphone call tracking systems.
- Payphone calls are identified based on the Originating Line Indicator (OLI)/Information Digits values in the CDRs generated by switches owned or leased by AT&T. Current applicable OLIs are '27', '29', and '70'.
- AT&T accurately assigns call completion indicators for payphone CDRs based on hardware or software answer types.

2. AT&T has assigned a specific person or persons responsibility for tracking, compensating, and resolving disputes concerning payphone completed calls. As it relates to this assertion, "assigned" will be defined according to the following:

- The responsibility for tracking, compensating, and resolving disputes concerning payphone calls has been granted and included in the job description for specific employees.

3. AT&T has effective data monitoring procedures in place. As it relates to this assertion, "effective data monitoring procedures" will be defined according to the following:

- AT&T has documented procedures for monitoring data interfaced from switches owned or leased by AT&T to its call collection system, its usage processing system, and its payphone call tracking system.
- AT&T identifies and takes corrective actions for data irregularities and errors in the payphone process.

4. AT&T adheres to established protocols to ensure that any software, personnel, or network changes do not adversely affect its payphone call tracking ability. As it relates to this assertion, "established protocols" will be defined according to the following:

- AT&T has established a documented system development lifecycle (SDLC) to manage software and network changes.
- AT&T's SDLC includes testing of software and network changes to determine if they adversely affect its payphone call tracking ability.
- AT&T monitors adherence to the SDLC.
- AT&T restricts access to payphone call tracking systems to authorized personnel.

5. AT&T creates a compensable payphone call file by matching call detail records against payphone identifiers. As it relates to this assertion, "payphone identifiers" will be defined according to the following:

- Payphone calls are identified based on the Originating Line Indicator/Information Digits values in the CDRs generated by switches owned or leased by AT&T. Current applicable OLI's are '27', '29', and '70'.
- Payphone calls are considered compensable based on the business rules criteria defined in Assertion #9.

6. AT&T has procedures in place that incorporate payphone call data into required reports. As it relates to this assertion, "procedures" will be defined according to the following:

- AT&T has procedures to create the following reports accurately and completely from the compensable payphone call file referenced in Assertion #5:

A. National Payphone Clearing House SuperFile - The SuperFile submission has replaced three of the four client data files submitted prior to 07/01/2004 to the NPC by AT&T. This file includes the payphone information needed to comply with the FCC's Payphone Orders as a Completing Carrier and an Intermediate Carrier. The information in this file includes:

1. Completing Carrier Traffic Compensation
2. Completing Carrier Toll-Free/Access-Code Reporting
3. Intermediate Carrier Toll-Free/Access-Code Reporting (IC-TFAC) files.

B. Paycomp True Zero Accum File – This file follows formatting standards set by the NPC, and includes the following information:

- I. The toll-free/access-code numbers dialed from each payphone that has collect and calling card call types.
- II. The volume of calls for each toll-free/access-code number completed by the Completing Carrier for each of the PSP's payphones by call type.

C. Switched Based Reseller Report – As an Intermediate Carrier, AT&T provides the NPC with the names, addresses and telephone numbers of the Switch Based Reseller Customers which belong to the Wholesale AT&T Network Connection Toll Free Platform.

- AT&T has established procedures to submit the above reports to the NPC on a timely basis.

7. AT&T has implemented procedures and controls needed to resolve disputes. Prior to June 15, 2004, as per Management's Assertions on AT&T's Payphone Compensation Processes (June 25, 2004), AT&T maintained Payphone Call Detail Records (CDRs) for 18 months that could be utilized for dispute investigations. Currently, AT&T maintains Payphone CDRs for 27 months that can be utilized for dispute investigations. As it relates to this assertion, "procedures and controls" will be defined according to the following:

- AT&T has documented its process to investigate and resolve disputes with Payphone Service Providers and has posted the process on the NPC's website.
- AT&T logs disputes and follows the published process.
- AT&T maintains payphone CDRs in a data warehouse for 27 months that can be utilized for dispute investigations.
- Archived payphone CDRs can be readily accessed by AT&T payphone dispute personnel to perform dispute analysis.

8. AT&T has implemented critical controls and procedures to identify payphone compensation errors. As it relates to this assertion, "critical procedures and controls" will be defined according to the following:

- AT&T develops an annual payphone compensation budget by month based on key company and industry trends (e.g., payphone call counts, number of payphones in the industry).
- AT&T analyzes the quarterly payphone compensation invoice at a 'compensation type' level (e.g., per-call, surrogate) to identify any deviations from historical trends and current budget.
- AT&T documents and retains trending data related to payphone compensation to use in the budgeting and outlook process.
- AT&T reviews and analyzes the information contained in the Traffic Analysis Report received from the NPC to validate the complete receipt of call records sent to the NPC.

9. AT&T has implemented business rules to identify compensable payphone calls. As it relates to this assertion, "business rules" will be defined according to the following:

- Payphone calls are identified based on the Originating Line Indicator/Information Digits values in the CDRs generated by switches owned or leased by AT&T. Current applicable OLIs are '27', '29', and '70'.
- AT&T has controls in place to identify and eliminate duplicate CDRs from payphone call tracking systems.
- Potential compensable payphone calls are identified based on applying the following business rules to the payphone call file:
 - CDRs must be toll-free or access code dialed calls.
 - CDRs must be completed calls based on answer indicator generated by the switch.
- The originating ANI for each call is included in the compensation to the NPC.
- AT&T has engaged the NPC to determine the identities of the PSPs to which AT&T owes compensation. In addition, the NPC performs the following actions:
 - The NPC matches the PSP claims to the LEC reports to validate ownership of the ANI.

- In the event that ownership cannot be validated from the information provided, the NPC notifies the PSP of the dispute and work with the PSP to resolve the ownership disputes.
- The NPC calculates compensation for non-flex ANI payphones based on regulated surrogate rates.

Below are two additional AT&T Management Assertions covering subjects as documented by AT&T on October 21, 2005, which AT&T continues to support as of July 1, 2006.

10. AT&T identified 3 types of calls for which they were reporting to the NPC the incorrect toll-free or access code number. Following is a description of the 3 scenarios and the solution that AT&T implemented for each:

- a. Network Remote Access (NRA) – For NRA calls, the customer dials an 8YY number to get to a calling card platform and make subsequent outbound calls. AT&T implemented a solution that will report the NRA calling card 8YY number for these calls.
- b. Operator Services – For Operator Services calls, the customer dials an 8YY number (e.g., 1-800-CALL-ATT) and goes to the Operator Services platform. AT&T implemented a solution that will report the Operator Services 8YY number for these calls.
- c. Access Code – For Access Code calls, the customer dials a “10-10” number (e.g., 10-10-288) to bypass the primary interexchange carrier. AT&T implemented a solution that will report the 10-10-288 number for these calls.

As of October 21, 2005, AT&T reports the appropriate toll-free or access code number in their quarterly reports, as described above. AT&T is now in the process of providing customers with corrected Quarterly Reports.

11. AT&T has agreed to compensate Payphone Service Providers on behalf of a small number of completing carriers for which AT&T delivers payphone calls. AT&T has notified PSPs of each completing carrier for which it makes payment via a posting on the National Payphone Clearinghouse (NPC) website. As it relates to this assertion, “agreed to compensate” will be defined according to the following:

- AT&T delivers calls to many completing carriers (i.e. AT&T is the Intermediary Carrier). AT&T, on behalf of a small number of completing carriers, makes payment to PSPs for the payphone calls that are delivered to the completing carriers.
- AT&T pays for 100% of the payphone call volume that is delivered to the small number of completing carriers based on the following business rules:
 - CDRs must be toll-free or access code dialed calls

As it relates to this assertion, “implemented a solution” will be defined according to the following: AT&T has implemented software changes to identify the specific calls in question and transmit the appropriate number to downstream systems for reporting.

The following assertion, while not specifically documented in prior Management Assertions, represents practices followed during the prior audit periods as well as the current period:

12. AT&T asserts that, at the conclusion of each quarter, in compliance with the rules of the Federal Communications Commission, its chief financial officer has submitted to each payphone service provider a sworn statement for that quarter relating to payphone commissions, and stated that such statement is accurate and is based on 100% of all completed calls that originated from that payphone service provider's payphones in the relevant period.
